

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

PRS-01 EUR-25 DRC-01 /162 W
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R 091759Z OCT 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 3879

INFO USDOC WASHDC

AMEMBASSY MONTEVIDEO

UNCLAS BUENOS AIRES 7417

DEPT PASS OPIC.

E.O. 11652: N/A

TAGS: ECON, AR.

SUBJECT: ARGENTINE DRAFT FOREIGN INVESTMENT LAW,
STATUS REPORT.

REF: A) BA-7157; B) BA-6998; C) BA-6297.

1. LOCAL PRESS REPORTED OCT. 5 THAT SENATE VOTED APPROVAL OF DRAFT FOREIGN INVESTMENT LAW OCTOBER 4, AND RETURNED MEASURE TO CHAMBER OF DEPUTIES. VOTE CAME AFTER DELAY OF ONE MONTH SINCE DEPUTIES SENT DRAFT TO SENATE FOR SECOND TIME SEPTEMBER 1 (SEE REF A).

2. SENATE REPORTEDLY VOTED TO REINSTITUTE CERTAIN AMENDMENTS WHICH IT HAD APPROVED AUGUST 31 AND WHICH WERE SUBSEQUENTLY REJECTED BY DEPUTIES ON SEPT 1. DEPUTIES MUST NOW CONSIDER THE DRAFT FOR THIRD TIME, AND WOULD HAVE TO MUSTER TWO-THIRDS VOTE TO IMPOSE ITS VERSION AS DEFINITIVE. NOT CLEAR AT MOMENT WHEN LOWER HOUSE WILL TAKE UP THE BILL AGAIN.

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3. APPARENTLY, ONLY REMAINING SIGNIFICANT POINT OF DIFFERENCE CONCERNS ARTICLE 26, DEALING WITH CREDITS, FOREIGN SERVICE FEES AND ROYALTIES BETWEEN SUBSIDIARIES AND PARENT COMPANIES (SEE PARA. 3, REF A). WORDING OF ARTICLE 26 GIVEN IN REF A) IS THAT OF DEPUTIES. SENATE INSISTS ON ENTIRELY DIFFERENT WORDING, INCLUDING LONG PARAGRAPH SETTING LIMITS ON INTEREST RATES PAYABLE TO FOREIGN CREDITORS, WOULD ALSO ADD SECOND PARAGRAPH DEALING WITH RELATION BETWEEN LOCAL SUBSIDIARIES AND AFOREIGN PARENT COMPANIES, WHICH GIVES MORE EXPLICIT RECOGNITION OF SUPREME COURT'S RECENT PARKE-DAVIS DECISION, TRANSLATION OF SENATE VERSION ON THIS POINT FOLLOWS: QUOTE: THIS ARTICLE DOES NOT COVER RELATIONS BETWEEN AFFILIATES (FIALES) OR BRANCHES (SUCURSALES) AND THIER HOME OFFICES (CASAS MATRICES) OR BETWEEN SUCH AFFILIATES OR BRANCHES OR WHEN THERE EXISTS AND ORGANIC RELATIONSHIP OF DEPENDENCE BETWEEN THE LOCAL COMPANY AND THE FOREIGN ONE, IN WHICH CASE THE FINANCIAL, TECHNOLOGICAL, OR OTHER KIND OF CONTRIBUCIONS(CONTRIBUCIONES) BETWEEN THE SAME, WHATEVER MAY BE THIER JURIDICAL QUALIFICATION, SHALL BE GOVERNED BY THE RULES WHICH REGULATE CONTIBUTIONS (APORTES) AND PROFITS (UTILIDADES), AS THE CASE MAY BE. END QUOTE.

4. IT IS DIFFICULT TO JUDGE WHAT WILL HAPPEN TO THE BILL AS IT BOUNCES BACK TO THE LOWER HOUSE YET AGAIN. THE WRANGLING OVER THE WORDING OF ARTICLE 26 SEEMS NOT TO TURN ON POINTS OF REAL SUBSTANCE, BUT RATHER ON RIVALRY BETWEEN THE TWO CHAMBERS TO ESTABLISH WHICH BODY IS THE MORE EFFECTIVE DEFENDER OF THE NATIONAL INTEREST. ALSO, HINTS APPEARED IN THE PRESS OCTOBER 5 THAT THE MEASURE MIGHT BE SHELVED ALTHOGETHER (ARCHIVADO), PRESUMABLY TO ALLOW AN ENTIRELY NEW DRAFT TO BE INTRODUCED. EMBASSY HAS BEEN UNABLE TO OBTAIN CONFIRMATION OF THIS FROM OTHER SOURCES. HOWEVER, IT WOULD BE CONSISTENT WITH CURRENT RUMORS IN LOCAL BUSINESS AND OTHER CIRCLES THAT THE FOREIGN INVESTMENT LAW IN ITS PRESENT FORM IS NOT ACCEPTABLE TO PERON AND MAY BE SUBSTITUTED BY ANOTHER, LESS RESTRICTIVE VERSIONS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT LAW, FOREIGN INVESTMENT CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BUENOS07417
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731044/aaaabghd.tel
Line Count: 108
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: A) BA-7157; B) BA-6998; C) BA-6297.
Review Action: RELEASED, APPROVED
Review Authority: martinml
Review Comment: n/a
Review Content Flags:
Review Date: 19 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Nov-2001 by chappeld>; APPROVED <06 MAR 2002 by martinml>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ARGENTINE DRAFT FOREIGN INVESTMENT LAW, STATUS REPORT.
TAGS: ECON, EFIN, AR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005